

SYN. NO. \_\_\_\_\_

AGN. NO. \_\_\_\_\_

MOTION BY SUPERVISOR ZEV YAROSLAVSKY

March 27, 2007

The County owns a 37,597 square foot office building on a 29,860 square foot parcel of land located at 10961 Pico Boulevard in the City of Los Angeles. The building is currently vacant and considered surplus of any present or foreseeable County need. This building formerly served as the West Los Angeles regional office for the Department of Public Social Services (DPSS). Due to the functional obsolescence of this building, the program was relocated to a new facility at 11110 Pico Boulevard that was specifically designed for the services provided by DPSS.

Menorah Housing Foundation ("Menorah") is a non-profit, non-sectarian organization that develops and manages affordable housing developments for senior citizens. Menorah has investigated the feasibility of developing the subject site and has determined that there are needs in the community that can best be served by a mixed use development that would include affordable rental housing for very low income seniors and a ground-level office and community room which will be designed in a manner consistent with the pedestrian oriented character of the neighborhood.

MOTION

MOLINA \_\_\_\_\_

BURKE \_\_\_\_\_

KNABE \_\_\_\_\_

ANTONOVICH \_\_\_\_\_

YAROSLAVSKY \_\_\_\_\_

The property is zoned C2-1VL which permits mixed-use projects. The proposed project (Project) can be accomplished within the City of Los Angeles' zoning requirements. As currently zoned the property would permit approximately 49 units of housing and approximately 10,000 square feet of office and community uses on the ground level. Because the property is within the Westwood/Pico Neighborhood Oriented District, The Project shall be compatible with the guidelines for this district. Under the authority of Section 26227 of the Government Code, the County has an opportunity to grant an Option to Purchase the property to Menorah and enter into a 55 year mortgage agreement in exchange for Menorah's commitment to redevelop the property for the purpose of providing rental housing for very low-income seniors under any terms acceptable to this Board.

Based on estimated development costs, and the appraised value of the property subject to the very low income senior housing use restriction, the land value is \$2,000,000. Therefore, Menorah will be required to pay \$400,000 in cash and the remaining \$1,600,000 in the form of a residual receipts mortgage payable over the 55 years that Menorah will be required to provide rental housing for very low-income seniors.

Conditions to the exercise of the Option by Menorah will be:

1. Obtain sufficient financing to construct a development of approximately 49 units of housing with rental rates affordable to seniors of very low income and not to exceed 10,000 square feet of office and community room use on the ground level.

2. Obtain the required jurisdictional approvals from the City of Los Angeles to build the project.
3. Provide consideration in cash equal to \$400,000, including a \$5,000 fee paid at the time of execution of the Option.
4. Obtain County approval under the California Environmental Quality Act and the Los Angeles County Revised Environmental Document Reporting Procedures and Guidelines, regarding the County's discretionary acts concerning the project, and the Board's approval of the Sale and Purchase Agreement and Residual Receipts Mortgage.

The Board's approval of the grant of the Option to Purchase does not constitute an activity which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment given the above conditions to exercise of the option and the fact that no access rights are granted.

**THEREFORE, AS AUTHORIZED BY GOVERNMENT CODE SECTION 26227,**

**I MOVE THAT THE BOARD:**

1. Find that the property is not needed for County purposes.
2. Find that use of the property to provide rental housing affordable to very low-income seniors is in the County's best interest and will serve public purposes.
3. Find that the grant of the Option to Purchase does not constitute a project under the California Environmental Quality Act and the Los Angeles County Revised Environmental Document Reporting Procedures and Guidelines.
4. Authorize the CAO to negotiate an Option to Purchase Agreement with Menorah with a purchase price in the amount of \$2,000,000, subject to the following conditions: (i) that the property will be developed as a mixed-use, residential and

commercial project with approximately 49 residential units and not to exceed 10,000 square feet of office and community room space on the ground level; (ii) that over the entire mortgage term of 55 years, 100 percent of the residential units developed shall be affordable to “very low income households” (provided that one unit may be used as a manager’s unit), as said term is defined in section 50105 of the Health and Safety Code; (iii) that over the entire mortgage term of 55 years, the residential portion of the development shall be leased only to seniors 62 years of age and older; and (iv) that these restrictions shall be contained in the mortgage and regulatory agreement recorded against the property, and upon approval by County Counsel, instruct the Chairman to execute the Option to Purchase Agreement, and authorize the CAO to implement the terms of said Agreement.

5. Authorize the CAO to negotiate a promissory note in the amount of \$1,600,000 mandating annual residual receipts payments (“Promissory Note”).

The Promissory Note is to be secured by a deed of trust recorded against Menorah’s fee interest. Annual residual receipt payments shall be equivalent to the amount by which “gross rents” (as defined by the aforementioned Promissory Note) exceed the “operating expenses” (as defined by the Promissory Note) of the proposed development. Any and all unpaid balances due under the terms of the Promissory Note shall be due and payable at the end of the term of the Promissory Note.

6. Authorize the Chief Administrative Office (CAO) to negotiate and approve on behalf of the County any other related documents or agreements required to allow Menorah to meet the conditions to its exercise of the option, including, but

not limited to, development agreements with the City of Los Angeles, subject to approval by County Counsel.

7. Authorize the CAO to negotiate a mortgage subordination agreement with a construction lender for the purpose of allowing the construction lender to finance the project in a first lien position so long as the County approves all the terms and conditions of the construction loan, and to record against the property a regulatory agreement requiring development of the property with approximately 49 residential units affordable to “very low income households” leased only to seniors 62 years of age and older. The regulatory agreements will provide that notwithstanding the foregoing restrictions, in the event of a foreclosure under the construction loan, the purchaser would be required to develop the property with residential units affordable to “lower income households” as defined in Health and Safety Code Section 50079.5 and leased only to seniors 62 years of age and older.
8. Instruct the Auditor-Controller to deposit all of the proceeds generated by this transaction into a Special Account as directed by the Housing Authority of the County of Los Angeles to be used for development of affordable housing projects within the Third Supervisorial District.

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